

MARKETBEAT

Richmond, VA

Retail Q3 2016



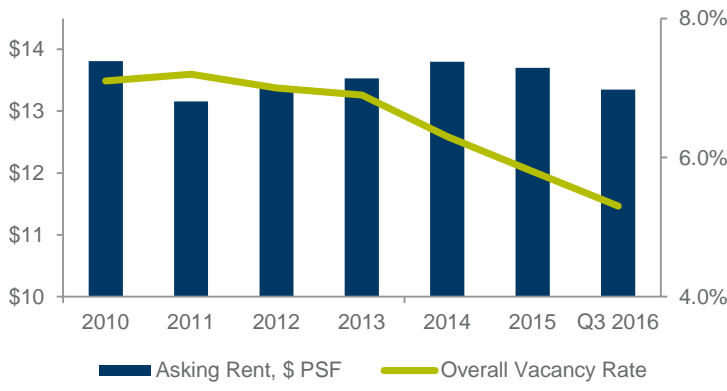
ECONOMIC INDICATORS

National			
	Q3 15	Q3 16	12-Month Forecast
GDP Growth	2.0%	2.4%	▲
CPI Growth	1.4%	1.2%	▲
Consumer Spending Growth	3.1%	2.8%*	▲
Retail Sales Growth	2.0%	2.9%	▲

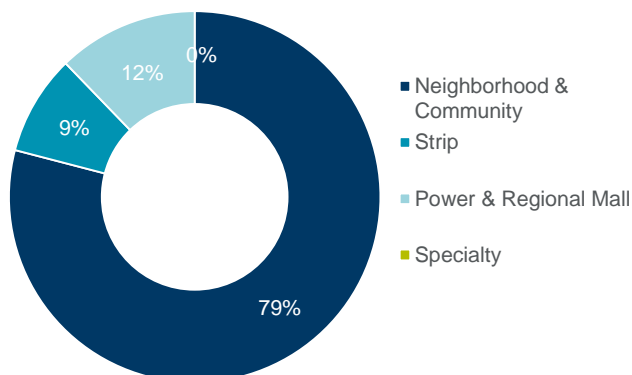
Regional			
	Q3 15	Q3 16	12-Month Forecast
Household Income	\$62,953	\$64,503	▲
Population Growth	0.87%	0.78%	▲
Unemployment	4.4%	3.8%	▼

*Based on Moody's baseline estimates
Source: Moody's Analytics

Rental Rate vs. Overall Vacancy



Availability by Type



Economy

After facing periods of great uncertainty earlier this year regarding China's weakening economy and Brexit, the U.S. economy continues to prove resilient. The financial markets took a hit after the U.K. voted to exit the European Union, but the overall economic growth of the U.S. was not significantly affected. The U.S. economy added 2.4 million jobs from September 2015 to September 2016; the average unemployment rate for Q3 2016 was 4.9%. Consumer confidence, job growth, and consumer spending have remained steady, with GDP growth picking up slightly from Q3 2015. The Richmond Metro economy continues to expand with its 75th consecutive month of year-over-year job gains. The area added 21,400 jobs from a year ago. The unemployment rate in the Richmond MSA reported 3.8% in Q3 2016.

Market Overview

The retail market in Richmond continues to show strength, with the vacancy rate down 60 basis points from Q3 2015 to 5.2%. The overall asking rent declined to \$13.35 per square foot (PSF) in Q3 2016 from \$13.71 PSF a year ago. The market also reported negative 129,209 square feet (SF) of absorption in Q3 2016, due in part to the closing of three area Martin's stores in July. Another three Martin's stores are expected to close in Q4 2016. Availabilities in malls and power centers continue to tighten with 3.5% and 2.8% vacancy, respectively. The influx of national grocery store chains into the Richmond market continues. In July, Florida-based supermarket chain, Publix, acquired ten Martin's Food Markets stores from Ahold USA, leaving the future of the remaining nine Martin's stores in question. Wegmans recently entered the Richmond market with two stores, in Midlothian and Short Pump. Aldi and Lidl are also expanding their local presence, with Aldi operating nine area stores presently and Lidl expected to open four locations.

Significant sale transactions include Southpark Shopping Center, a 71,509 SF-unanchored strip center in Colonial Heights, and Southshore Shops, a 39,133-SF unanchored strip center in Swift Creek.

Outlook

The Richmond retail market is on track to continue its steady growth as the vacancy rate remains low, rent is stable, and year-to-date absorption is positive at 525,594 SF. The pending closure of the remaining Martin's grocery stores will juxtapose the entry of Publix, Wegmans, Aldi, and Lidl into the market. Richmond's job growth and increasing household income will keep retail fundamentals strong.

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SUBMARKET	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
Broad St. Corridor	124	2,082,309	4.4%	18,273	7,677	0	\$14.60
Colonial Heights	200	3,501,279	3.7%	(64,686)	(50,532)	0	\$19.00
Downtown	457	3,255,093	7.6%	(2,474)	(28,450)	8,000	\$14.52
East End	496	3,925,416	2.7%	4,727	28,383	0	\$13.98
Far West End North	26	223,271	1.4%	(300)	(1,840)	0	\$20.00
Far West End South	80	1,262,067	13.0%	(5,140)	(12,970)	0	\$13.51
Goochland	57	397,479	4.9%	10,292	6,442	0	\$12.70
Hopewell	160	1,269,595	13.5%	10,000	(3,306)	5,277	\$9.63
I-95 Ashland/NW	205	2,039,497	1.9%	13,805	15,970	0	\$13.65
I-95 Chamberlayne/NE	107	1,011,102	3.2%	2,549	3,186	0	\$20.51
Jeff Davis Corridor	528	3,088,166	7.9%	(20,514)	30,204	26,400	\$13.23
Laburnum/Rte 360	458	2,921,399	5.2%	(16,056)	8,393	0	\$11.05
Louisa County	67	793,688	2.2%	(5,050)	(3,036)	10,000	\$14.44
Mechanicsville	212	2,754,679	5.3%	(49,532)	(28,561)	60,000	\$12.00
Midlothian E/Hull St	568	6,947,615	6.8%	(20,929)	41,212	17,489	\$10.86
Midlothian Village	120	1,679,229	7.6%	(4,498)	14,466	0	\$17.49
Midlothian West	294	7,277,495	3.9%	33,082	235,655	10,332	\$14.46
Near West End	658	3,771,816	2.5%	(14,216)	37,239	0	\$16.37
New Kent County	55	550,152	2.9%	(3,301)	11,055	4,850	\$10.21
Petersburg	368	2,746,260	10.4%	(33,363)	(9,735)	0	\$8.08
Powhatan	71	733,380	4.2%	12,800	830	55,000	\$13.20
Prince George	62	996,641	12.1%	14,529	(31,280)	10,000	\$5.64
Regency	113	2,394,736	5.9%	(45,932)	(44,318)	0	\$10.43
Short Pump	126	4,851,082	2.6%	19,688	246,152	241,358	\$24.56
South Chesterfield	314	3,784,681	3.4%	(9,917)	13,807	21,000	\$13.73
Staples Mill / Parham	494	7,878,821	5.9%	10,731	(42,674)	10,000	\$15.34
Swift Creek	167	3,494,321	4.3%	(14,598)	(793)	0	\$17.95
Willow Lawn	300	3,175,600	2.5%	1,797	38,172	0	\$16.38
Richmond, VA Totals	7,090	80,291,309	5.2%	(129,209)	525,594	479,706	\$13.35

*Rental rates reflect gross asking \$psf/year

This report does not include a minimum SF requirement. Submarkets Amelia, Dinwiddie, and Sussex included in totals.

PROPERTY TYPE	TOTAL BLDGS	INVENTORY (SF)	OVERALL VACANCY RATE	OVERALL CURRENT NET ABSORPTION (SF)	OVERALL YTD NET ABSORPTION (SF)	UNDER CNSTR (SF)	OVERALL AVERAGE ASKING RENT
General Retail	409	4,209,303	6.7%	49,922	69,151	0	\$15.07
Mall	50	6,902,112	3.5%	15,497	(68,704)	0	\$21.21
Power Center	121	5,338,884	2.8%	17,218	221,084	0	\$15.70
Shopping Center	834	26,540,565	9.3%	(163,442)	96,193	0	\$12.73

Key Lease Transactions Q3 2016

PROPERTY	SF	TENANT	TRANSACTION TYPE	SUBMARKET
South Crater Square	36,903	Roses Express	Lease	Petersburg
7921 W Broad St	28,117	Upholstery & Fabric Stores	Lease	Staples Mill / Parham
Meadowbrook Shopping Center	27,979	Gold's Gym	Lease	Jeff Davis Corridor

Key Sales Transactions Q3 2016

PROPERTY	SF	SELLER/BUYER	PRICE / \$PSF	SUBMARKET
Southpark Shopping Center	71,509	Kimco/MCB Real Estate	\$9,500,000 / \$133	Colonial Heights
Southshore Shops	39,133	Armada Hoffer/Blackwood Development	\$9,160,000 / \$234	Swift Creek
Walgreens - 10230 Iron Bridge Rd	14,820	Westin Management/Virginia B Myers	\$5,866,000 / \$396	South Chesterfield

Cushman & Wakefield | Thalhimer
11100 W. Broad St.
Glen Allen, VA 23060
thalhimer.com

For more information, contact:
Brad McGetrick, Director of Brokerage Services
Tel: +1 804 697 3558
brad.mcgetrick@thalhimer.com

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